

Diversified balanced investment exposures, investment grade government bonds and main diversified equity exposures have been quite resilient, contrary to some very concentrated exposures, which can be vulnerable to idiosyncratic risks.

The current week started with pressure on mid to small sized **US** banks, after the **Fed** announced the resolution of the SVB. This case of financial stress in the US, included mainly banks with concentrated specialised exposure in high risk activities, such as venture capital financing. Overall, the financial sector in the US and broadly, remains resilient, as the main Central Banks have repeated that stand ready to provide all liquidity needed and banks' capital base has been strengthened during the previous years. The S&P 500 **financials** index has dropped by -10.4% so far in March, while it still retains positive nine-month total return (5.5%) and is higher since October 12, 2022 (12/10/22-16/3/23: 6.4%). While its P/E 12-month forward ratio is mild (11.5, 10-year average: 13.4), some cautiousness is warranted in the form of neutral investment weighting, as the "headlines" risk and regulatory risks are elevated for financials. The Fed meeting on March 22 will most probably be key for financials and the overall market, as the Fed needs to balance inflation-fighting (possible 0.25% hike), with providing reassurances for financial stability. It is noted that, according to the act of Congress for the establishment of the Fed (since 1913), the Fed has a dual "plus one" mandate: "to promote effectively the goals maximum employment, stable prices and moderate long-term interest rates". Regarding the third element of Fed's policy (i.e. promoting moderate long-term interest rates), it is noted that the US government bonds have been overly volatile for most of the previous months, which can have adverse impact on financial conditions. However, most recently, the US **10-year yield** moderated at 3.55% (17/3) from 4.06% (2/3 close) and the **2-year yield** at 4.15% (17/3 intraday) from 5.08% (8/3). The moderation of government bond yields has contributed to the resiliency of the equity market. The S&P 500 index posted the lowest close (13/3: 3,861) since early January, but it remained above close of 2022 (3,840) and then bounced above (16/3: 3,960) the 200-day average (3,938, 50-day average: 4,006). The S&P 500 index retains positive 6-month total return (3.1%). During the last six-months, in the top five sectors in terms of total return, some relatively aggressive sectors are included (technology: 11.8%, industrials: 11.2%, materials: 6.5%) along with a defensive (consumer staples: 3.3%).

Outside the US, the recent stress has been mostly around a **Swiss** bank (Credit Suisse). The **Swiss National Bank** provided 50 bn. francs of liquidity, in an attempt to ease conditions.

The week ahead

In **Germany**, the ZEW current conditions and outlook indexes (21/3) are expected mildly lower in March. **Eurozone** consumer confidence index (23/3) may have remained in March around the same level as in the previous month. Eurozone PMI manufacturing index for March (24/3) is expected at a level below 50, which denotes contraction of the sector, while the PMI services index is expected at a level above 50, which denotes expansion of the services sector of the economy.

In the **US**, the **Fed** will probably increase the benchmark rate by 0.25%, while its overall tone may indicate slightly less restrictive policy, in the form of a pause of hikes at some point, likely by the end of the second quarter. In **Japan**, inflation figures (24/3) are expected milder in February versus in January.

“Quote of the Week”

The President of the ECB said: "The ECB monitors current market tensions carefully and stands ready to respond as necessary to preserve price stability and financial stability in the euro area".

In the **Eurozone**, the Stoxx 50 equity index corrected by -6.5% (6-15/3), while it remains above (16/3: 4,117) its 200-day average (3,780, 50-day average: 4,196). Despite the recent correction, the eurozone index retains positive year to date total return (8.9%). German 10-year bond yield has moderated at 2.29% (16/3) from 2.75% (2/3), supporting equity market sentiment. The **ECB** increased its benchmark rate by 0.50% (16/3), it removed the forward guidance on rates as their path will be examined meeting by meeting based on the conditions. The **ECB** also said that: "Euro-area banking sector is resilient". The Stoxx 600 **Europe** index corrected -6% (16/2-15/3), however it retains positive year to date total return (4.5%). During the period of the correction, defensive sectors such as european **telecoms** (-0.2%), **food & beverage** (-0.4%) and **utilities** (-0.7%) have been resilient. The Stoxx 600 European **banks** index has corrected by -15.3% (28/2-15/3), while it retains positive year to date total return (3.9%). Its P/E 12-month ratio is mild (6.5 times, 10-year average: 10), while its volatility has risen (52-week rolling: 24% versus around 21% in early March), warranting some cautiousness as "headlines" risks are elevated.

In **Japan**, the Nikkei index has corrected by -5.6% in the period (9-16/3), while it retains positive year to date total return (3.6% in JPY, 2.7% in Euro). It is currently around (17/3: 27,334) its 200-day average (27,360) and the Japanese 10-year bond yield has moderated further (0.30%), supporting equity markets sentiment. The MSCI **China** index has corrected by -16.5% in the period from January 27 to March 10. The worries regarding tense relations with the **US** remain elevated. However, the chinese index retains significant part of

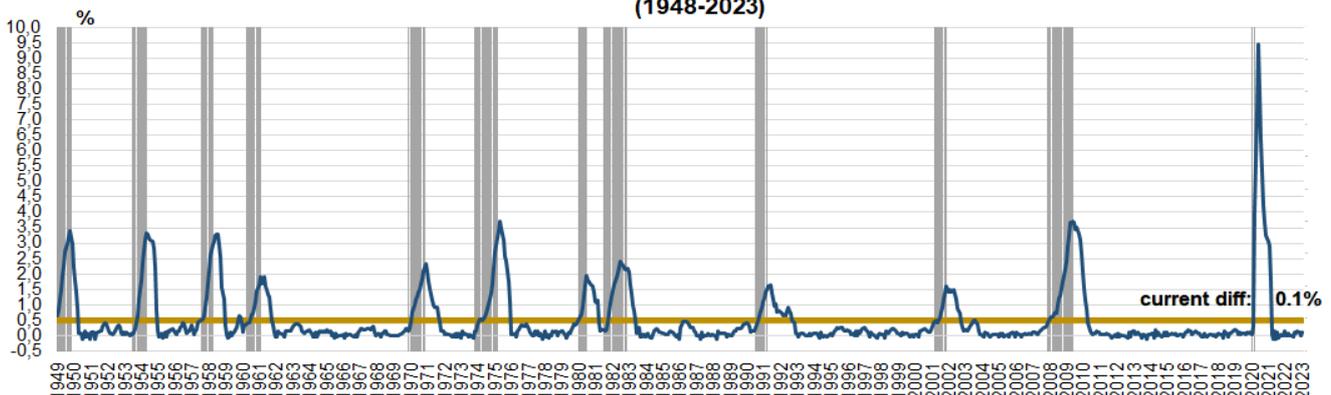
the recovery since October 30 (30/10/22-16/3/23: 34%) and its 12-month earnings per share estimate is by 9% above the level it was at the end of October 2022. The USD/CNY fx pair is at 6.87, below the threshold (7,000 area), which in the past has usually been associated with equity resilience in China, as opposed to usual weakness when the chinese currency weakens significantly (cases when USD/CNY above 7,00).

In **FX**, the **EUR/USD** traded during the week near (15/3: \$1.0520) the bottom of its range (6/1: \$1.0480), while it is currently bouncing above (17/3: \$1.0650) the 21-day average (\$1.0630) and towards the resistance area of \$1.0800 (14/2 high). EUR/USD remains in range-trading in the short-term, at least until the Fed meeting of March 22. The decisions of the Fed and how these will be reflected into **German-US bond yields** differentials, may affect the mid-term trend of the EUR/USD.

In **commodities**, the WTI **oil** price posted low (15/3: \$65.7/barrel) since December 2021, which could contribute into lower inflation expectations. On the **macroeconomics** front, it was recently announced (10/3), that the **US** unemployment rate increased in February 3.6% from 3.4% in January. According to the "Sahm rule", if the 3-month average of unemployment (current average at 3.5%) rises by more than 0.5% above its lowest level in the last 12 months (3.4%), then this could be a signal for recession. Currently, the "Sahm rule" spread stands at 0.1% below the 0.5% mark, denoting that the economy may still be in expansion. According to the Atlanta Fed (16/3), the annualized quarterly GDP growth in the first quarter is estimated around 3.2%.

The rise of US unemployment rate in February is notable, but not indicative of recession yet.

US: unemployment rate (3-month average)* versus the lowest level of the previous 12 months (1948-2023)



*three-month average of the US unemployment rate (Source: Bloomberg) minus the lowest unemployment rate during the previous 12 months

Global Markets Minesweeper
Event Risk Calendar, 20-24 March 2023

Monday 20/3							
Date Time	Country	Event	Period	Survey	Prior		
20/3 03:15	CH	5-Year Loan Prime Rate	20-Mar	4.30%	4.30%		
20/3 03:15	CH	1-Year Loan Prime Rate	20-Mar	3.65%	3.65%		
20/3 09:00	GE	PPI (MoM)	Feb	-0.20%	-1.00%		
20/3 09:00	GE	PPI (YoY)	Feb	14.50%	17.80%		
20/3 12:00	EC	Trade Balance SA (EUR)	Jan		-18.1b		
Eco Event	EC	ECB President Lagarde appears before European Parliament's committee.					
Tuesday 21/3							
Date Time	Country	Event	Period	Survey	Prior		
21/3 12:00	GE	ZEW Survey Expectations	Mar	20	28.1		
21/3 12:00	GE	ZEW Survey Current Situation	Mar	-50	-45.1		
21/3 12:00	EC	ZEW Survey Expectations	Mar		29.7		
21/3 14:30	US	Philadelphia Fed Non-Mfg Activity	Mar		3.2		
21/3 16:00	US	Existing Home Sales (MoM)	Feb	3.80%	-0.70%		
		Japanese markets closed - Vernal Equinox Day					
Corp. Results	US	Nike					
Wednesday 22/3							
Date Time	Country	Event	Period	Survey	Prior		
22/3 09:00	UK	CPI (MoM)	Feb	0.50%	-0.60%		
22/3 09:00	UK	CPI (YoY)	Feb	9.80%	10.10%		
22/3 09:00	UK	CPI Core (YoY)	Feb		5.80%		
22/3 11:00	EC	ECB Current Account SA (EUR)	Jan		15.9b		
22/3 20:00	US	FOMC Rate Decision (Upper Bound)	22-Mar	5.00%	4.75%		
22/3 20:00	US	FOMC Rate Decision (Lower Bound)	22-Mar	4.75%	4.50%		
Eco Event	EU	ECB's President Lagarde Speaks (10:45)					
	US	US Treasury Secretary Janet Yellen to appear at Senate					
	US	Fed Chair holds press conference following FOMC meeting (20:30)					
Thursday 23/3							
Date Time	Country	Event	Period	Survey	Prior		
23/3 10:30	SZ	SNB Policy Rate	Mar	1.50%	1.00%		
23/3 14:00	UK	Bank of England Bank Rate	23-Mar	4.25%	4.00%		
23/3 14:30	US	Current Account Balance	4Q	-\$213.2b	-\$217.1b		
23/3 14:30	US	Initial Jobless Claims	18-Mar		192k		
23/3 14:30	US	Chicago Fed Nat Activity Index	Feb		0.23		

March 17, 2023

23/3 16:00	US	New Home Sales (MoM)	Feb	-3.00%	7.20%	
23/3 17:00	EC	Consumer Confidence	Mar P	-18.6	-19	📈
		Friday 24/3				
Date Time	Country	Event	Period	Survey	Prior	📈
24/3 01:30	JN	Natl CPI (YoY)	Feb	3.30%	4.30%	📈
24/3 01:30	JN	Natl CPI Ex Fresh Food (YoY)	Feb	3.10%	4.20%	📈
24/3 02:30	JN	Jibun Bank Japan PMI Mfg	Mar P		47.7	📈
24/3 02:30	JN	Jibun Bank Japan PMI Services	Mar P		54	
24/3 09:00	UK	Retail Sales Inc Auto Fuel (MoM)	Feb	0.10%	0.50%	📈
24/3 10:30	GE	Germany Manufacturing PMI	Mar P	47.35	46.3	📈
24/3 10:30	GE	Germany Services PMI	Mar P	51.3	50.9	
24/3 10:30	GE	Germany Composite PMI	Mar P	51.1	50.7	
24/3 11:00	EC	Eurozone Manufacturing PMI	Mar P	49	48.5	📈
24/3 11:00	EC	Eurozone Composite PMI	Mar P	51.8	52	
24/3 11:00	EC	Eurozone Services PMI	Mar P	52.5	52.7	
24/3 11:30	UK	UK Manufacturing PMI	Mar P	49.6	49.3	
24/3 11:30	UK	UK Services PMI	Mar P	53	53.5	
24/3 11:30	UK	UK Composite PMI	Mar P	52.7	53.1	
24/3 14:30	US	Durable Goods Orders (MoM)	Feb P	1.70%	-4.50%	📈
24/3 14:30	US	Durables Ex Transportation (MoM)	Feb P	0.30%	0.80%	
24/3 15:45	US	US Manufacturing PMI	Mar P	47.3	47.3	
24/3 15:45	US	US Services PMI	Mar P	50.3	50.6	

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